

## **AIG: STAY FOCUSED ON THE FACTS**

### **What are the facts?**

- Although AIG is generally known to the public as the world's largest insurer, in truth, AIG is a financial services conglomerate.
- American International Group, Inc. is a financial holding company that owns 71 U.S.-based insurance entities and 176 other financial services companies throughout the world. These include banks, securities firms and non-U.S. insurers, along with other related businesses such as premium finance companies.
- The 71 state-regulated insurance entities are all financially sound — or, in insurance regulatory terms, “solvent” — and fully able to pay claims presented by policyholders and claimants.
- The current problem lies with the AIG financial holding company that is subject to federal regulatory oversight by the U.S. Office of Thrift Supervision (OTS). The AIG financial holding company took on more risk than they could handle when investing in collateralized debt instruments, such as credit derivative swaps on mortgage-backed securities. It is important to note that these types of investments are financial products, not state-regulated insurance products. When the U.S. housing markets experienced a downturn, these risky investments lost lots of money for the AIG financial holding company.
- State insurance regulators work every day to protect America's insurance consumers — using conservative accounting and investment rules. It is this conservative approach to investments that keeps insurers from investing inordinate sums in risky investments.
- Even throughout the AIG financial holding company's liquidity crisis, consumers remained protected by insurance regulatory rules that prevented the parent company from simply raiding capital from its profitable and well-capitalized insurance subsidiaries. A coordinated effort by the nation's insurance regulators ensured that no policyholder assets were used for any part of this transaction.
- State insurance regulators have authority over intercompany transactions with the AIG insurers. They are closely monitoring any proposed transactions to ensure they will not threaten the ability of the insurers to pay policyholder claims.
- Insurance regulators from every state have been involved in every step of this process, with the primary focus of safeguarding the assets of the insurers so that they are available for the protection of policyholders and claimants.